



Director of  
Central  
Intelligence

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# National Intelligence Daily

Saturday  
23 February 1985



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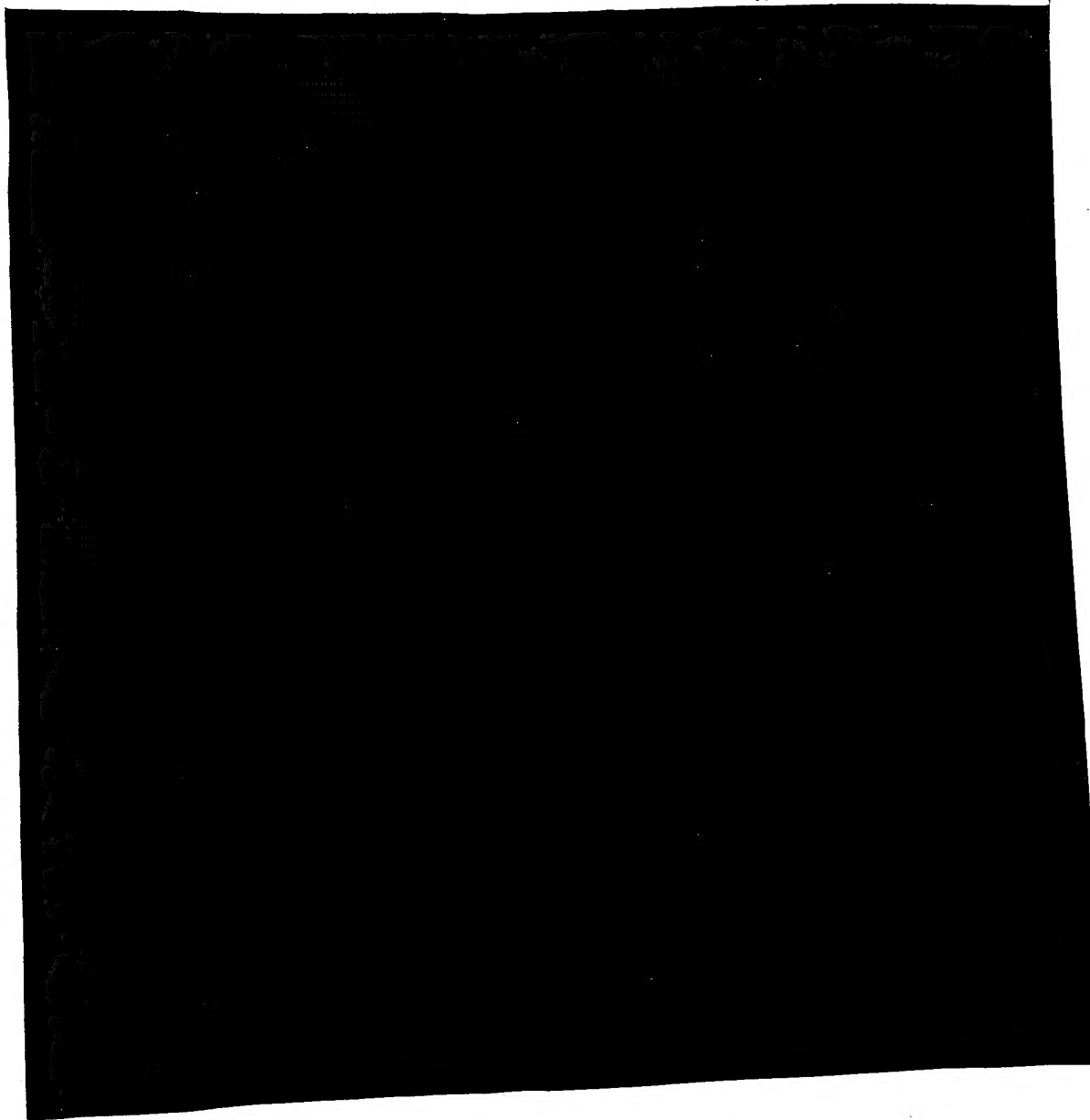
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YUGOSLAVIA:

Foreign Exchange Controls at Issue

*Disputes among republics about central controls over foreign exchange have become a major issue among Yugoslav leaders.*

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Prime Minister Planinc, in an [redacted] said that the debate over the foreign exchange system is now the most divisive question in the Yugoslav leadership. [redacted]

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A recent ruling by the Constitutional Court voided legislation that gave exporting firms the right to retain foreign exchange receipts—a right previously thought to have stemmed in principle from the constitution of 1974. The ruling, a victory for officials who favor increased central control, requires the government to draft substitute legislation by the end of March. [redacted] b3

b1, b3  
b3 [redacted]: New legislation probably will reflect a compromise acceptable to the republics, but it is not likely to be worked out in time to meet the deadline. The dispute is likely to fester for months and will aggravate the usual divisions among the regions. [redacted] b3

Despite inefficiencies, the present system of allocating foreign exchange has been adequate to ensure debt repayment and funding of some essential imports. Any measures that work against exports could hurt prospects for solving balance-of-payment problems and require further austerity, which would aggravate public discontent. [redacted] b3

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USSR-JORDAN:

**Uneasy Relations**

*Their recent arms deal notwithstanding, the Soviets have been frustrated in their efforts to capitalize on King Hussein's unhappiness with the US to influence his actions.* b3

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The USSR has begun delivering the SA-13, the SA-14, and other air defense weapons to Jordan under the arms agreement of last December, but relations between the two have not moved forward. Citing Syrian opposition to the accord signed by the King and PLO chief Arafat, *Pravda* on Wednesday criticized the two leaders for blocking Arab unity. [REDACTED] the Jordanians also believe that Moscow is trying to undermine the accord by rousing Arab opposition to it. [REDACTED] b3

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[REDACTED]  
Even while the arms negotiations were going on last November, Moscow supported Syria's opposition to Arafat's convening the Palestine National Conference in Amman. The Soviets' failure to send an observer to the meeting further annoyed the King as well as Arafat. [REDACTED] b3

b3 [REDACTED] Moscow had hoped to parlay the arms agreement into closer ties with Jordan as part of its overall effort to improve relations with moderate Arabs. Although Moscow wants to gain influence in Amman, it is more interested in blocking an independent Arab peace initiative that excludes Syria and the USSR. This virtually ensures continued friction with Jordan as long as Hussein pursues his accord with Arafat. [REDACTED] b3

Hussein has flirted with the USSR to spite the US for denying him much-needed military equipment. His relations with Arafat and his interest in resolving the Palestinian problem, however, take precedence over ties with Moscow and make a real improvement in relations unlikely. [REDACTED] b3

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**SRI LANKA-INDIA: Aid to Refugees**

*Prime Minister Gandhi yesterday assured Sri Lankan refugees of support and protection in Tamil Nadu and ordered increased patrols of coastal waters between the two countries.* b3

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Following a week of rising pressure from Indian and Sri Lankan Tamils, Gandhi [redacted] that New Delhi will provide funds to care for Sri Lankan Tamil refugees who have been fleeing the violence in northern Sri Lanka at a rate of more than 300 per day. Press reports [redacted] indicate the number of new refugees may have reached nearly 7,000 during February, placing severe strains on local resources. b3

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Meanwhile, Sri Lankan Tamil separatist leaders, renewing claims that the refugees are an international problem, called on the UN to accuse Colombo of genocide. [redacted] the genocide theme predominated when more than 6,000 Tamil students marched earlier this week in Madurai in support of Tamil refugees and called on Gandhi to protect Tamil lives. b3

b3  
[redacted] Tamil demands for an international investigation may put pressure on Colombo to come back to the bargaining table, but they are also meant to influence New Delhi to consider military intervention. Gandhi, however, like his mother, strongly opposes internationalizing what he considers a regional issue. His quick promise of support to the refugees probably is aimed at defusing Sri Lankan Tamil efforts to involve outside powers in the affair. He also has ruled out, for the time being, the possibility of Indian intervention.

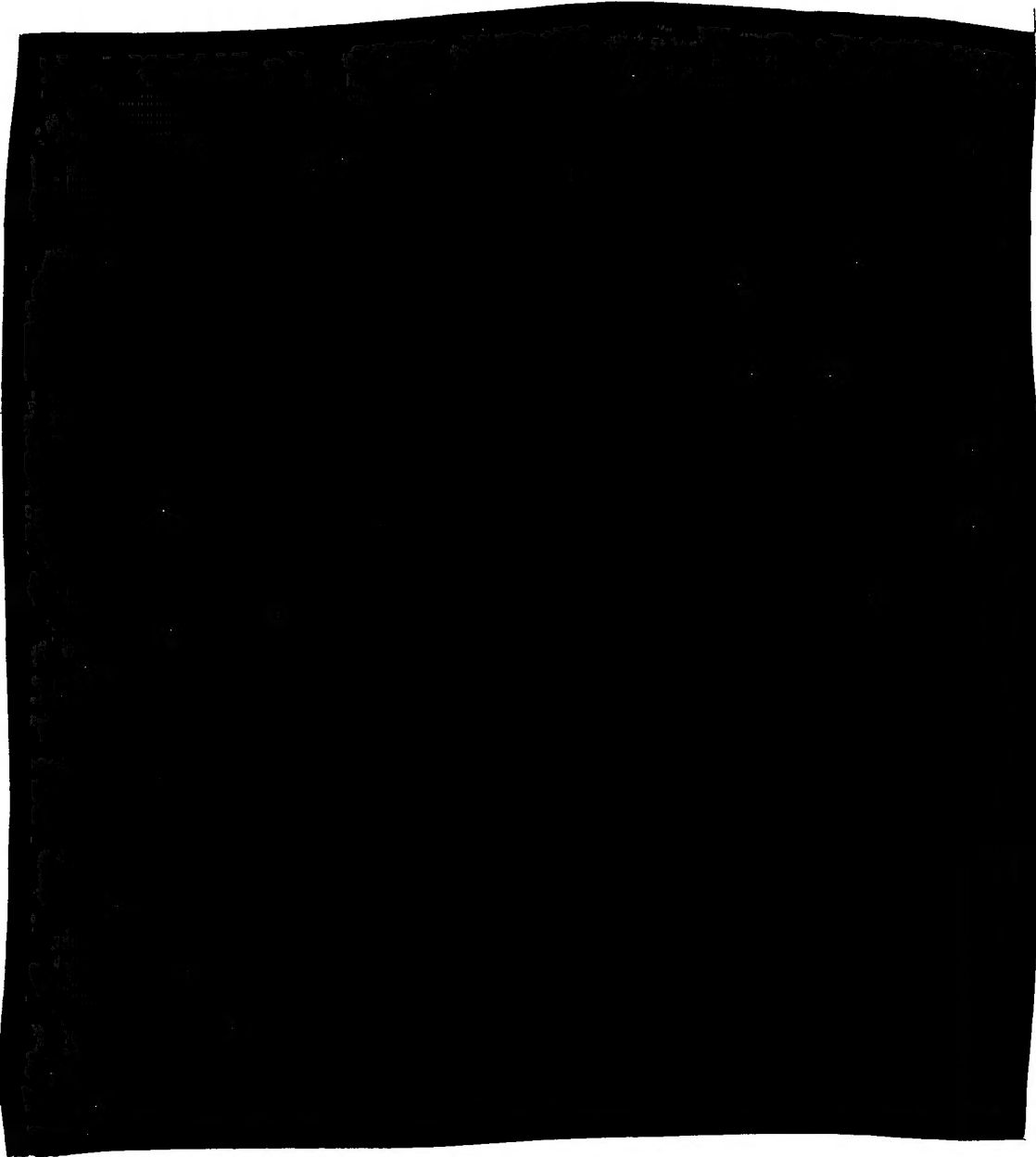
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Both countries will continue to try to avoid a military incident, but increased Indian patrolling and Sri Lankan naval surveillance in the narrow Palk Strait make a clash even more likely. In recognition of that danger, Colombo has renewed its call for joint patrols, and New Delhi has, for the first time, said it will consider such a move. [redacted]

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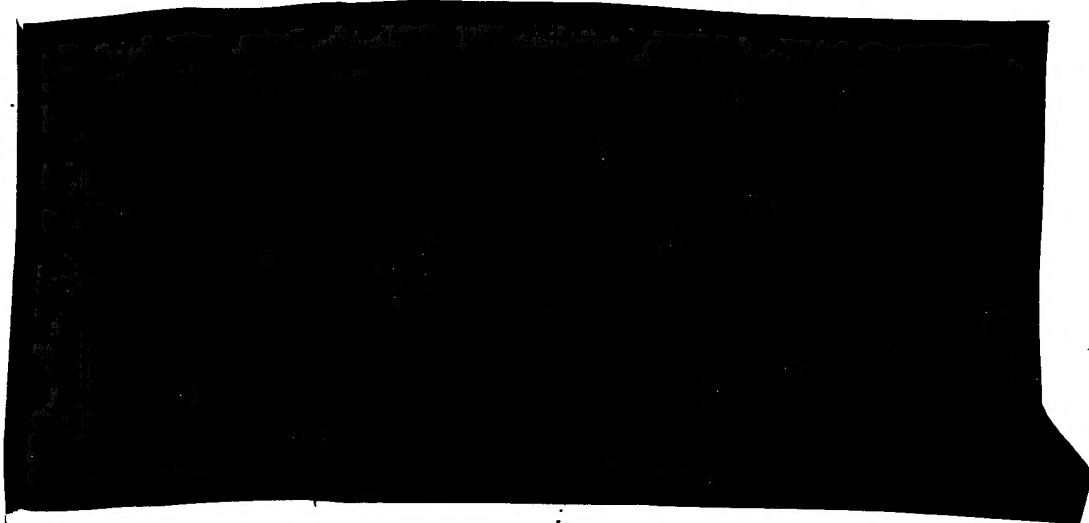
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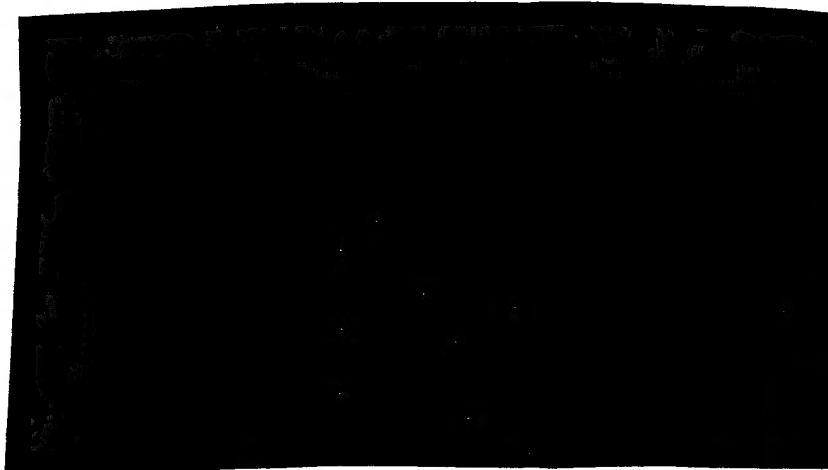
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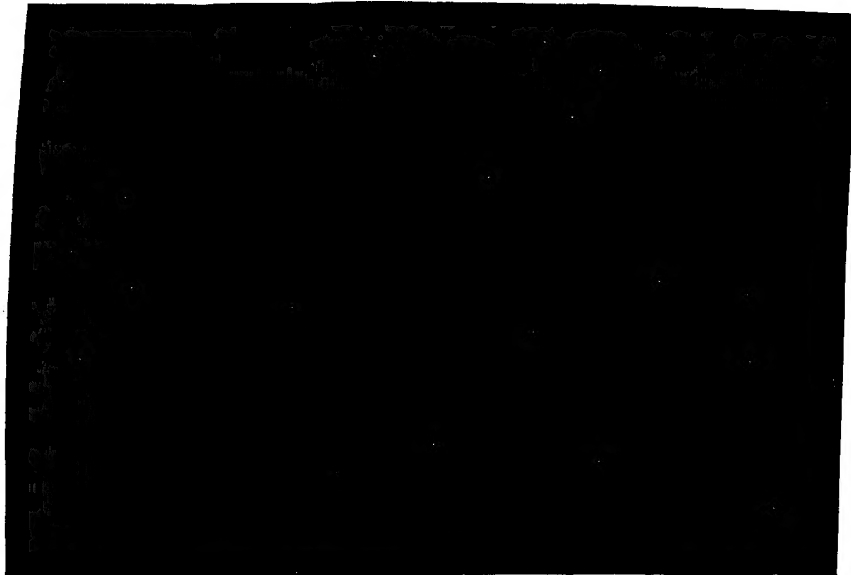
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#### BELGIUM: Testing Resolve on INF

Prime Minister Martens's determination to push forward with INF again is being tested by pressure from his party to put off initial deployment. [REDACTED] leftwing Flemish Social Christians are calling for Martens to couple a decision to accept INF with a postponement of initial deployment from March to June. [REDACTED] no decisions have been made and that the Cabinet will consider INF policy over the weekend.

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[REDACTED] b3 If Brussels delays its March deployment commitment, it risks new flareups of Cabinet disunity or Flemish Social Christian nervousness, especially in light of stepped-up peace demonstrations and possible Soviet gestures on arms control. Since his visit to Washington in January, Martens has been able to keep the Social Christians behind INF, and he probably will be able to continue to do so. He can argue that deployment on schedule not only meets NATO obligations but also will allow a papal visit in May and the summer vacation to overshadow INF before the election [REDACTED] b3

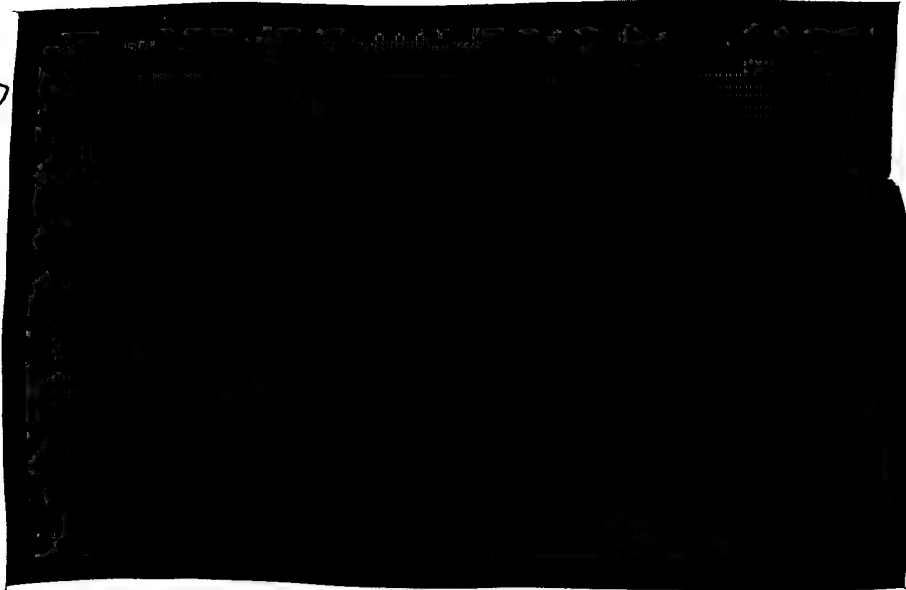
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#### ALGERIA-MOROCCO: Compromise Proposal on Western Sahara

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~~\_\_\_\_\_~~ Algeria has proposed to King Hassan a compromise solution to the Western Sahara conflict. Western Sahara would control its internal affairs while Hassan would be its titular ruler and represent the Saharans in international organizations.

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~~\_\_\_\_\_~~ Morocco has rejected the Algerian proposal because it gives the Saharans the essential attributes of sovereignty—local autonomy, membership in international organizations, and a modified Moroccan flag. ~~\_\_\_\_\_~~ b3

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~~\_\_\_\_\_~~ The recent talks between Algeria and Morocco have been deadlocked over longstanding differences on the definition of Saharan sovereignty. Strong nationalist feelings among Moroccans about control of the Sahara make Hassan reluctant to compromise. Algiers probably has made its offer in order to demonstrate Moroccan intransigence and to persuade the US and France to urge Hassan to negotiate. Despite Rabat's rejection of the offer, both sides probably will continue discussions to prevent tensions over the Saharan issue from escalating into a major military clash. ~~\_\_\_\_\_~~ b3

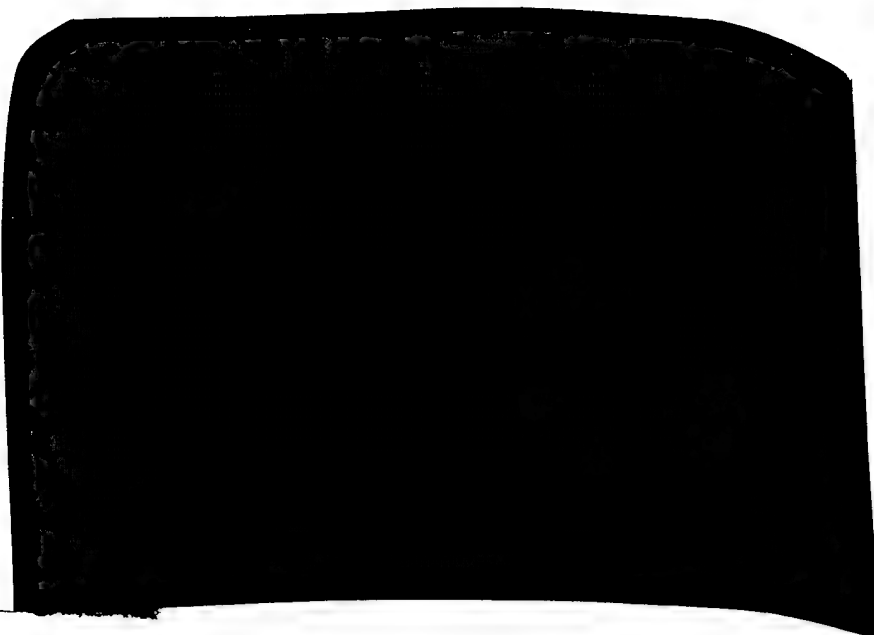
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#### KUWAIT: Election Results

b3 Kuwalti voters rejected most of the incumbent candidates running for reelection to the National Assembly Wednesday. Progovernment candidates, including the former Speaker of the Assembly, extreme religious fundamentalists, and conservative Bedouin lost the most seats. [redacted] Shia voters rejected pro-Khomeini candidates in favor of moderates. The big winner, as expected, was the Democratic Bloc, which includes old-line Arab nationalists and leftists who campaigned as the country's only nonsectarian grouping. [redacted] - b3

b3 [redacted] The Sabah government now faces a more vocal and less cooperative Assembly. The Democratic Bloc capitalized on popular dissatisfaction with the government's handling of the economy and will pursue social programs the government probably will find unpalatable. The Assembly will continue to spout Islamic rhetoric, but the fundamentalist tide appears to have peaked as the Iranian terrorist threat has grown. The Amir will try to show sensitivity to voter concerns by appointing a new cabinet, and perhaps a new prime minister, in the next two weeks. [redacted] b3

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### Terrorist Watch

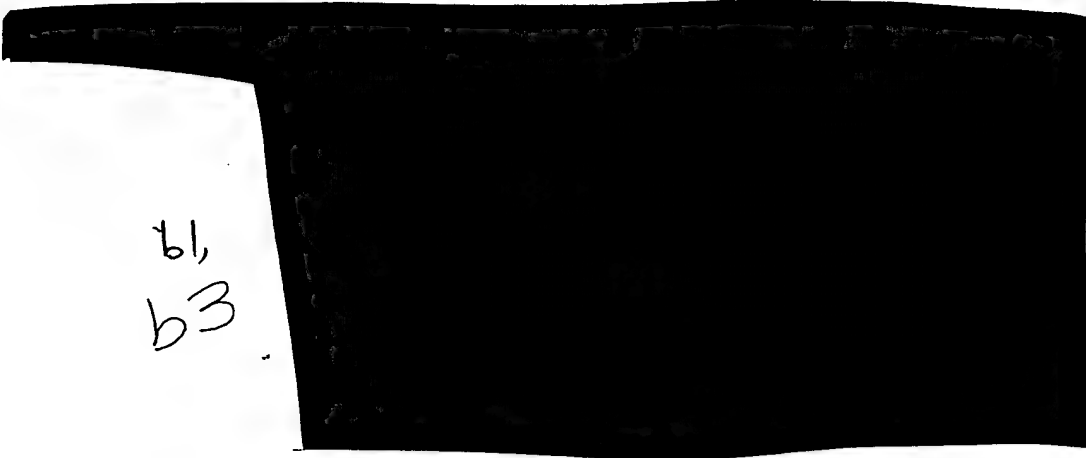
#### Latin America

— A bomb left by two men outside the offices of a Colombian-American friendship society in Barranquilla, Colombia, Thursday killed the night watchman and caused extensive damage. No one has claimed responsibility yet. The director of the office, however, said it received anonymous threats at about the time a car bomb exploded outside the US Embassy in Bogota last November.

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### In Brief

#### USSR

- Chernenko's election speech text reasserts that space and nuclear arms must be considered together in Geneva . . . says agreement "quite possible" if US respects USSR's security interests, but attempt at military superiority would dim prospects. b3
- Possibility is strong that **Soviets** will display Condor heavy transport at Paris Air Show in May and June . . . requested ramp space for "largest transport aircraft in world" would be first appearance of Condor outside USSR. b3

#### Eastern Europe

- b1, b3 — ~~\_\_\_\_\_~~ Polish authorities last week began formal investigation of Walesa for illegal union activities and promoting public unrest . . . could get five years . . . prosecutor may still decide not to bring case to trial. b3
- Polish Government to announce decisions today on price increases due in March . . . economic grievances and unhappiness about regime harassment of church may prompt wider response to Solidarity's call for protests on Thursday. b3

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#### Middle East

- Yugoslav Foreign Minister arrives today in Iraq after Algeria visit . . . expected to go to **United Arab Emirates** Tuesday, probably to establish formal relations . . . Yugoslavia trying to strengthen nonaligned standing, cultivate Arab markets. (b3)

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[REDACTED]

— Endemic bilharzia—schistosomiasis—poses serious health problem in **Jordan** for first time . . . probably introduced by **Egyptian** workers . . . threat most serious in Jordan Valley, where 23 percent of Egyptian work force is infected. [REDACTED] b3

**Asia**

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[REDACTED]

**Africa**

— **Uganda** canceled US military training program last week . . . reacting to criticism in recent human rights report . . . increases dependence on **USSR** and its allies for security assistance. [REDACTED] b3

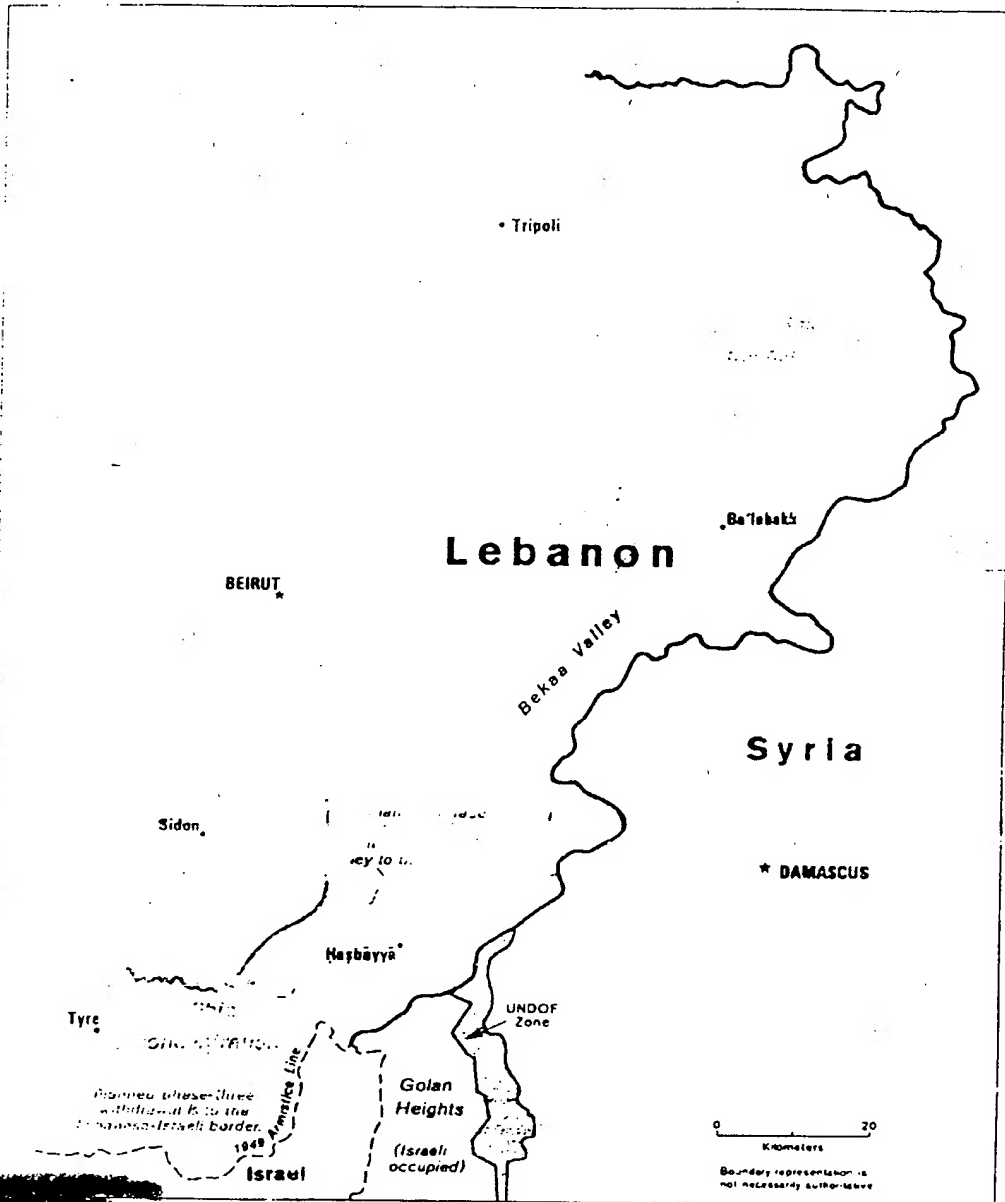
**Western Europe**

— Parliament will elect new **Greek** president on 15 March . . . Karamanlis likely to win reelection with combined support of conservative and Socialist deputies . . . early scheduling could portend national election before October. [REDACTED] b3

— **Turkey**, in abrupt shift, sent **Bulgaria** curt note protesting forced "Slavification" of Turkish minority . . . plans propaganda campaign in Islamic world and may raise issue at UN. [REDACTED] b3

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**LEBANON-SYRIA-  
ISRAEL**

**Prospects for the Hizballah**

*The radical Shia Hizballah movement probably will continue to gain strength in West Beirut and in the Bekaa Valley, and it will pursue its campaign of anti-Israeli violence in the south. Expanding its influence in the areas of predominantly Shia southern Lebanon being vacated by Israel, however, will be difficult. The Hizballah wants a more visible political role in Lebanon, but the demonstration it sponsored in Sidon provoked opposition from Syria and from a wide variety of moderate Lebanese factional leaders. Southern Lebanon remains a stronghold of the moderate Shia Amal organization, and the pro-Iranian movement may have only limited appeal—unless Israeli actions further radicalize the southern Shias.* b3

b1, b3  
Fundamentalist leaders are determined to make the Hizballah the dominant political movement in the Shia community. They are waging a campaign to challenge and displace Amal and its leader, Nabih Barri. [REDACTED]

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The Hizballah, which has pursued its objectives primarily through terrorism, religious indoctrination, and social welfare programs in the Shia community, published its first comprehensive political manifesto last week. The 50-page document calls for the establishment of an Islamic republic and the removal of all Western and Israeli influence from Lebanon, according to press reports. [REDACTED] b3

[REDACTED] the Hizballah has succeeded in establishing a significant power base in West Beirut and in the Bekaa Valley. Poverty, unemployment, and the widespread feeling of political disenfranchisement in the slums of Beirut will continue to make increasing numbers of Shias there susceptible to extremist rhetoric. [REDACTED] b3

**Fundamentalist Efforts in the South**

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[REDACTED]

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Amal is far stronger than the pro-Iranian groups in the south, partly because Amal originated there and because Amal guerrillas have been the most active in attacking Israeli occupation forces. The southerners traditionally have been more affluent and less prone to religious extremism. Shias in the south also have little history of conflict with their Christian and Sunni neighbors. [REDACTED] b3

b1  
b3 Most residents of Sidon reacted angrily to the large demonstration staged by Beirut-based Hizballah members last Monday. Christian, Sunni, and moderate Shia leaders called the Hizballah show of force an isolated incident that would not characterize the south after the Israeli withdrawal. [REDACTED] b3

The appeal of the Hizballah among southern Shias would be strengthened, however, by heavyhanded Israeli retaliation during the withdrawal—such as the dragnet conducted in six Shia villages on Thursday. Prospects for the pro-Iranian groups also will improve over time if Amal leader Barri and the Lebanese Government fail to deliver on Shia demands for political and economic reforms. A generally [REDACTED] that Lebanese Government officials already are worried about the growing strength of the Hizballah in the south. [REDACTED] b3 b(1) b(3)

#### Outlook

The popularity of the Hizballah in West Beirut and the Bekaa Valley poses a threat to the Lebanese Government for the foreseeable future, regardless of the success of fundamentalist efforts in the south. Hizballah leaders will continue to influence events in Beirut through violence, mass demonstrations, political pressure, and terrorism against foreigners. [REDACTED] b3

The Hizballah is well armed, extremely dangerous, and implacably determined; it will exploit any opportunity to expand its base of support in the south. Its activists there very likely will succeed in mounting guerrilla operations against the withdrawing Israeli Army and possibly eventually against northern Israel. [REDACTED] b3

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## Special Analysis

### PAKISTAN:

#### Election Outlook

*The nonparty national and provincial elections next Monday and Thursday will give President Zia another political victory. A respectable voter turnout is expected despite opposition efforts to organize a boycott, and the campaign is not likely to ignite widespread anti-Zia violence.* [REDACTED] b3

Zia hopes the elections—the first since 1977—will permit him to claim he has restored democratic institutions. Forbidding parties to participate, he hopes, will destroy the existing party structure and end the influence of the Pakistan People's Party, the major opposition group. He fears its leaders, particularly the late Prime Minister Bhutto's daughter, Benazir, will move to avenge Bhutto if they returned to power. [REDACTED] b3

Zia's decision to hold elections now is a response to Army concerns that military rule has hurt its standing and diverted manpower and resources from its external security responsibilities. [REDACTED] b3

At the same time, the Army has insisted its interests be protected during the transition to civilian rule. Zia has sought to satisfy such concerns by retaining the presidency. He also said he will reduce the power of the Prime Minister and the National Assembly and create a National Security Council that gives the military the right to monitor the Assembly. [REDACTED] b3

When the main religious party, many conservatives, and even some members of the People's Party decided to participate in the elections, the opposition lost its only realistic prospect for organizing a boycott and embarrassing Zia. The government has arrested many opposition leaders, banned press coverage of their activities, and seems confident it can suppress attempts to disrupt voting. [REDACTED] b3

#### Outlook

Most candidates are running for the first time, campaigning on local issues and drawing on local ties, so it will take time to determine their stance on national issues. Zia supporters, however, will be strong enough to keep the assemblies from pursuing confrontation, at least initially. [REDACTED] b3

Chronic regional, ethnic, and religious divisions, however, will continue encouraging the opposition and depriving Zia of the stable governing consensus he seeks. [REDACTED] b3

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